



General Assembly

**Substitute Bill No. 1055**

January Session, 2013



**AN ACT CONCERNING THE ORDER OF TAX CREDITS FOR THE INSURANCE PREMIUMS TAX, A CONSOLIDATION OF TAX CREDITS FOR LAND DONATIONS, AMENDMENTS TO THE ENTERTAINMENT INDUSTRY INFRASTRUCTURE AND THE JOB EXPANSION TAX CREDITS, A STUDY OF THE INCOME TAX AND THE REPEAL OF CERTAIN TAX CREDITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1       Section 1. (NEW) (*Effective from passage and applicable to calendar years*  
2       *commencing on and after January 1, 2013*) (a) Whenever a company  
3       subject to tax under the provisions of chapter 207 of the general  
4       statutes is eligible to claim more than one tax credit, the credits shall be  
5       claimed for the calendar year in the following order:
- 6       (1) Any credit that may be carried backward to a preceding calendar  
7       year or years shall first be claimed (A) with any credit carry-back that  
8       will expire first being claimed prior to any credit carry-back that will  
9       expire later or will not expire at all, and (B) if the credit carry-backs  
10      will expire at the same time, in the order in which the company may  
11      receive the maximum benefit;
- 12      (2) Any credit that may not be carried backward to a preceding  
13      calendar year or years and that may not be carried forward to a  
14      succeeding calendar year or years shall next be claimed, in the order in  
15      which the company may receive the maximum benefit; and

16 (3) Any credit that may be carried forward to a succeeding calendar  
17 year or years shall next be claimed (A) with any credit carry-forward  
18 that will expire first being claimed prior to any credit carry-forward  
19 that will expire later or will not expire at all, and (B) if the credit carry-  
20 forwards will expire at the same time, in the order in which the  
21 company may receive the maximum benefit.

22 (b) In no event shall any credit be claimed more than once.

23 Sec. 2. Section 12-217dd of the general statutes is repealed and the  
24 following is substituted in lieu thereof (*Effective July 1, 2013, and*  
25 *applicable to income years commencing on or after January 1, 2013*):

26 (a) For purposes of this section: [ "donation"] (1) "Donation of open  
27 space land" means the value of any land or interest in land conveyed  
28 without financial consideration, or the value of any discount of the sale  
29 price in any sale of land or interest in land, to the state, a political  
30 subdivision of the state, a water company, as defined in section 25-32a,  
31 or to any nonprofit land conservation organization where such land is  
32 to be permanently preserved as protected open space or used as a  
33 public water supply source.

34 (2) "Donation of land for educational use" means the value of any  
35 land or interest in land conveyed without financial consideration, or  
36 the value of any discount of the sale price in any sale of land or interest  
37 in land, to any town, city or borough, whether consolidated or  
38 unconsolidated, or any school district or regional school district for  
39 educational use, as defined in section 16-43b.

40 (b) There shall be allowed a credit for all taxpayers against the tax  
41 imposed under [section 12-217] this chapter, in an amount equal to  
42 fifty per cent of any donation of open space land [or as a public water  
43 supply source] and fifty per cent of any donation of land for  
44 educational use. For purposes of calculating the credit under this  
45 section, the amount of donation shall be based on the use value of the  
46 donated [open space] land and the amount received for such land. For

47 purposes of this subsection, "use value" means the fair market value of  
48 land at its highest and best use, as determined by a certified real estate  
49 appraiser.

50 (c) A credit for the donation of open space land that is allowed  
51 under this section [,] with respect to any taxable year commencing on  
52 or after January 1, 2000, but is not used by a taxpayer, may be carried  
53 forward to each of the successive income years until such credit is fully  
54 taken, [. In] but in no case shall a credit that is not used be carried  
55 forward for a period of more than twenty-five years. A credit for the  
56 donation of land for educational use that is allowed under this section  
57 with respect to any taxable year commencing on or after January 1,  
58 2013, but is not used by a taxpayer, may be carried forward to each of  
59 the successive income years until such credit is fully taken, but in no  
60 case shall a credit that is not used be carried forward for a period of  
61 more than twenty-five years.

62 Sec. 3. Section 12-217ff of the general statutes is repealed and the  
63 following is substituted in lieu thereof (*Effective July 1, 2013, and*  
64 *applicable to income years commencing on or after January 1, 2013*):

65 (a) For purposes of this section, "donation of land for educational  
66 use" means the value of any land or interest in land conveyed without  
67 financial consideration, or the value of any discount of the sale price in  
68 any sale of land or interest in land, to any municipality or political  
69 subdivision of the state for educational use, as defined in section 16-  
70 43b.

71 (b) There shall be allowed a credit for all taxpayers against the tax  
72 imposed under section 12-217, in an amount equal to fifty per cent of  
73 any donation of land for educational use. For purposes of calculating  
74 the credit under this section the amount of donation shall be based on  
75 the difference between the use value of the donated land and the  
76 amount received for such land. For the purposes of this subsection,  
77 "use value" means a fair market value of land at its highest and best  
78 use, as determined by a certified real estate appraiser.

79 (c) A credit that is allowed under this section, with respect to any  
80 taxable year commencing on or after January 1, 2004, but is not used by  
81 a taxpayer may be carried forward to each of the successive income  
82 years until such credit is fully taken. In no case shall a credit that is not  
83 used be carried forward for a period of more than fifteen years.

84 (d) No tax credit shall be allowed under this section with respect to  
85 any donation of land for educational use made on or after January 1,  
86 2013.

87 Sec. 4. Subdivision (3) of subsection (b) of section 12-217kk of the  
88 general statutes is repealed and the following is substituted in lieu  
89 thereof (*Effective from passage*):

90 (3) Any credit allowed pursuant to this section may be sold,  
91 assigned or otherwise transferred, in whole or in part, to one or more  
92 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in  
93 whole or in part, such credit. [Any taxpayer holding such credit may  
94 claim such credit only for the income year in which expenditures were  
95 made by the taxpayer for the infrastructure project.]

96 Sec. 5. Subsections (e) and (f) of section 12-217pp of the general  
97 statutes are repealed and the following is substituted in lieu thereof  
98 (*Effective July 1, 2013*):

99 (e) (1) To be eligible to claim the credit, a taxpayer shall apply to the  
100 commissioner in accordance with the provisions of this section. The  
101 application shall be on a form provided by the commissioner and shall  
102 contain sufficient information as required by the commissioner,  
103 including, but not limited to, the activities that the taxpayer primarily  
104 engages in, the North American Industrial Classification System code  
105 of the taxpayer, the current number of employees employed by the  
106 taxpayer as of the application date, and if applicable, the name and  
107 position or job title of the new, qualifying or veteran employee. The  
108 commissioner shall consult with the Labor Commissioner, the  
109 Commissioner of Rehabilitation Services or the Commissioner of

110 Veterans' Affairs, Mental Health and Addiction Services or  
111 Developmental Services, as applicable, for any verification the  
112 commissioner deems necessary of unemployment compensation or  
113 vocational rehabilitation services received by a qualifying employee, or  
114 of service in the armed forces of the United States by a veteran  
115 employee. The commissioner may impose a fee for such application as  
116 the commissioner deems appropriate.

117 (2) (A) Upon receipt of an application, the commissioner shall  
118 render a decision, in writing, on each completed application not later  
119 than thirty days after the date of its receipt by the commissioner. If the  
120 commissioner approves such application, the commissioner shall issue  
121 a certification letter to the taxpayer indicating that the credit will be  
122 available to be claimed by the taxpayer if the taxpayer and new,  
123 qualifying or veteran employee otherwise meets the requirements of  
124 this section.

125 (B) On and after January 1, 2014, the commissioner shall render a  
126 decision upon such completed applications and, if approved, issue  
127 such certification letters, as provided in subparagraph (A) of this  
128 subdivision, that pertain to qualifying or veteran employees who meet  
129 the requirements of this section, and with respect to whom credits  
130 pursuant to this section have previously been granted. The  
131 commissioner may, in his or her discretion, render a decision upon  
132 applications that pertain to new employees, with respect to whom  
133 credits pursuant to this section have previously been granted, when  
134 such applications are consistent with the economic development  
135 priorities of the state.

136 (f) (1) The total amount of credits granted under this section and  
137 sections 12-217ii, 12-217nn and 12-217oo shall not exceed twenty  
138 million dollars in any one fiscal year or forty million dollars over the  
139 duration of the job expansion tax credit program, including the two  
140 immediately succeeding income years after such credits are granted.

141 (2) If a taxpayer was issued an eligibility certificate by the

142 commissioner prior to January 1, 2012, to receive a jobs creation tax  
143 credit pursuant to section 12-217ii, the provisions of the tax credit  
144 program pursuant to said section 12-217ii shall apply to such taxpayer  
145 for the duration of the eligibility certificate.

146 (3) If a taxpayer is issued a certification letter by the commissioner  
147 prior to January 1, 2013, to receive a qualified small business job  
148 creation tax credit pursuant to section 12-217nn, the provisions of the  
149 tax credit program pursuant to said section 12-217nn shall apply to  
150 such taxpayer for the duration of such certification.

151 (4) If a taxpayer was issued a certification letter by the commissioner  
152 prior to January 1, 2012, to receive a vocational rehabilitation job  
153 creation tax credit pursuant to section 12-217oo, the provisions of the  
154 tax credit program pursuant to said section 12-217oo shall apply to  
155 such taxpayer for the duration of such certification.

156 Sec. 6. (*Effective from passage*) (a) The Commissioner of Revenue  
157 Services shall conduct a study of the personal income tax structure to  
158 consider the impact upon taxpayers, by state tax filing status, of the  
159 various tax rates and credits established pursuant to chapter 229 of the  
160 general statutes. Such study shall include (1) an analysis of the taxes  
161 and credits based on adjusted gross income imposed on each group of  
162 taxpayers at the same or equivalent income level, and whether such  
163 taxes and credits are the same or equivalent, (2) a comparison of the  
164 effect of basing the state personal income tax on federal adjusted gross  
165 income versus federal taxable income, and (3) consideration of how  
166 such tax rates and credits might be restructured to ensure that tax  
167 liability is shared equitably among all taxpayers, while maintaining the  
168 current state revenue levels.

169 (b) On or before January 15, 2014, the commissioner shall report, in  
170 accordance with the provisions of section 11-4a of the general statutes,  
171 to the joint standing committee of the General Assembly having  
172 cognizance of matters relating to finance, revenue and bonding on the  
173 results of the study required pursuant to subsection (a) of this section.

174 Such report shall include suggestions for legislative changes, if such  
175 are found to be necessary to ensure an equitable personal income tax  
176 structure.

177 Sec. 7. Subsection (h) of section 12-217n of the general statutes is  
178 repealed and the following is substituted in lieu thereof (*Effective July*  
179 *1, 2013*):

180 (h) Any taxpayer, or in the case of a combined return, any combined  
181 group of taxpayers, that claims a credit under section 12-217j for any  
182 income year shall reduce the amount of research and development  
183 expenses that otherwise may be taken into account in computing the  
184 allowable credit under subsection (c) of this section for such income  
185 year by the amount of excess research and experimental expenditures,  
186 as computed under said section 12-217j, for which the credit  
187 thereunder is given. [Any taxpayer, or in the case of a combined  
188 return, any combined group of taxpayers, that claims a credit under  
189 section 12-217l for any income year shall reduce the amount of  
190 research and development expenses that otherwise may be taken into  
191 account in computing the allowable credit under subsection (c) of this  
192 section for such income year by the amount of excess grants to  
193 institutions of higher education in Connecticut, as computed under  
194 said section 12-217l, for which the credit thereunder is given.]

195 Sec. 8. Subsection (a) of section 16-245l of the general statutes is  
196 repealed and the following is substituted in lieu thereof (*Effective July*  
197 *1, 2013*):

198 (a) The Public Utilities Regulatory Authority shall establish and  
199 each electric distribution company shall collect a systems benefits  
200 charge to be imposed against all end use customers of each electric  
201 distribution company beginning January 1, 2000. The authority shall  
202 hold a hearing that shall be conducted as a contested case in  
203 accordance with chapter 54 to establish the amount of the systems  
204 benefits charge. The authority may revise the systems benefits charge  
205 or any element of said charge as the need arises. The systems benefits

206 charge shall be used to fund (1) the expenses of the public education  
207 outreach program developed under subsections (a), (f) and (g) of  
208 section 16-244d other than expenses for authority staff, (2) the  
209 reasonable and proper expenses of the education outreach consultant  
210 pursuant to subsection (d) of section 16-244d, (3) the cost of hardship  
211 protection measures under sections 16-262c and 16-262d and other  
212 hardship protections, including, but not limited to, electric service bill  
213 payment programs, funding and technical support for energy  
214 assistance, fuel bank and weatherization programs and weatherization  
215 services, (4) the payment program to offset tax losses described in  
216 section 12-94d, (5) any sums paid to a resource recovery authority  
217 pursuant to subsection (b) of section 16-243e, (6) low income  
218 conservation programs approved by the Public Utilities Regulatory  
219 Authority, (7) displaced worker protection costs, (8) unfunded storage  
220 and disposal costs for spent nuclear fuel generated before January 1,  
221 2000, approved by the appropriate regulatory agencies, (9)  
222 postretirement safe shutdown and site protection costs that are  
223 incurred in preparation for decommissioning, (10) decommissioning  
224 fund contributions, (11) the costs of temporary electric generation  
225 facilities incurred pursuant to section 16-19ss, (12) operating expenses  
226 for the Connecticut Energy Advisory Board, (13) costs associated with  
227 the Connecticut electric efficiency partner program established  
228 pursuant to section 16-243v, (14) reinvestments and investments in  
229 energy efficiency programs and technologies pursuant to section 16a-  
230 38l, costs associated with the electricity conservation incentive  
231 program established pursuant to section 119 of public act 07-242, and  
232 (15) legal, appraisal and purchase costs of a conservation or land use  
233 restriction and other related costs as the authority in its discretion  
234 deems appropriate, incurred by a municipality on or before January 1,  
235 2000, to ensure the environmental, recreational and scenic preservation  
236 of any reservoir located within this state created by a pump storage  
237 hydroelectric generating facility. As used in this subsection, "displaced  
238 worker protection costs" means the reasonable costs incurred, prior to  
239 January 1, 2008, (A) by an electric supplier, exempt wholesale  
240 generator, electric company, an operator of a nuclear power generating



241 facility in this state or a generation entity or affiliate arising from the  
 242 dislocation of any employee other than an officer, provided such  
 243 dislocation is a result of (i) restructuring of the electric generation  
 244 market and such dislocation occurs on or after July 1, 1998, or (ii) the  
 245 closing of a Title IV source or an exempt wholesale generator, as  
 246 defined in 15 USC 79z-5a, on or after January 1, 2004, as a result of  
 247 such source's failure to meet requirements imposed as a result of  
 248 sections 22a-197 and 22a-198 and this section or those Regulations of  
 249 Connecticut State Agencies adopted by the Department of Energy and  
 250 Environmental Protection, as amended from time to time, in  
 251 accordance with Executive Order Number 19, issued on May 17, 2000,  
 252 and provided further such costs result from either the execution of  
 253 agreements reached through collective bargaining for union  
 254 employees or from the company's or entity's or affiliate's programs  
 255 and policies for nonunion employees, and (B) by an electric  
 256 distribution company or an exempt wholesale generator arising from  
 257 the retraining of a former employee of an unaffiliated exempt  
 258 wholesale generator, which employee was involuntarily dislocated on  
 259 or after January 1, 2004, from such wholesale generator, except for  
 260 cause. "Displaced worker protection costs" includes costs incurred or  
 261 projected for severance, retraining, early retirement, outplacement,  
 262 coverage for surviving spouse insurance benefits and related expenses.  
 263 ["Displaced worker protection costs" does not include those costs  
 264 included in determining a tax credit pursuant to section 12-217bb.]

265 Sec. 9. Sections 12-217l, 12-217y, 12-217bb and 12-217hh of the  
 266 general statutes are repealed. (*Effective July 1, 2013*)

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage and applicable to calendar years commencing on and after January 1, 2013</i>	New section
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Sec. 2	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217dd
Sec. 3	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217ff
Sec. 4	<i>from passage</i>	12-217kk(b)(3)
Sec. 5	<i>July 1, 2013</i>	12-217pp(e) and (f)
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>July 1, 2013</i>	12-217n(h)
Sec. 8	<i>July 1, 2013</i>	16-245l(a)
Sec. 9	<i>July 1, 2013</i>	Repealer section

**FIN**      *Joint Favorable Subst.*